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C O N F I D E N T I A L SEOUL 001698

SIPDIS

E.O. 12958: DECL: 10 YEARS AFTER KOREAN REUNIFICATION  
TAGS: [PGOV](#) [PREL](#) [PINR](#) [SOCI](#) [ECON](#) [KN](#) [KS](#)  
SUBJECT: HYUNDAI ASAN HOPING TO BENEFIT FROM NORTH-SOUTH THAW

REF: SEOUL 1617

Classified By: POL M/C James L. Wayman. Reasons 1.4 (b/d).

Summary

¶1. (C) Hyundai Asan is preparing to move quickly to resume tourism to Kaesong city and Mount Kumgang in the event of a breakthrough in North-South relations, according to company executive vice president Jang Hwan-bin. Jang claimed that word-of-mouth reports about the Kaesong Industrial Complex's good working conditions and high wages are attracting employees from throughout the DPRK. Hyundai Asan is hoping for speedy improvement in inter-Korean relations while KJI is still alive; once KJI dies, company executives fear their many agreements with DPRK entities will be meaningless. Hyundai Asan moves money to North Korea via a Russian bank, Jang said. He added the company was in no rush to expand tourism to Mount Paektu. End summary.

No Green Light from MOU

¶2. (SBU) Hyundai Asan Executive Vice President Jang Hwan-bin told us on October 22 that the company is preparing to move quickly in the event there is a major breakthrough in North-South relations (reftel). Jang said Asan could immediately resume day tours to Kaesong city and be prepared to revive Mount Kumgang tourism in approximately 30 days. Despite tantalizing media speculation about an imminent North-South thaw, Jang lamented that the Ministry of Unification (MOU) and Blue House were still telling the company "to hold"; what Hyundai Asan wants, Jang emphasized, is a "green light."

KJI's Appetite for Economic Reform?

¶3. (SBU) Jang, who has traveled frequently to North Korea, claimed that the overall success of the Kaesong Industrial Complex (KIC) has created a desire for major economic reform among North Korean workers and key members of the elite. Through word-of-mouth, "everybody in North Korea" knows about the KIC's good working conditions and comparatively high wages, Jang said. Workers were coming from as far away as Hamhung, Jang related, adding that he had recently heard a credible story about a doctor at a major Pyongyang hospital who resigned to take a job sewing clothes at KIC's very successful Shin Won company.

Hoping To Cash in Before KJI Dies

¶4. (C) Despite the high political risk and red ink, Jang

explained that Hyundai Asan is still "in business" with North Korea because of the will and vision of Hyundai's late Chairman Chung Mong-heon, who had a "special relationship" with KJI. Jang said KJI felt somewhat responsible for Chung's suicide in the wake of the 2003 "cash-for-summit" scandal. Since Chung's death, KJI has invited his widow twice to North Korea to meet with him -- a privilege only extended to Hyundai Asan. Because of that "special relationship," the company has signed numerous agreements with multiple DPRK entities and is ready to develop North Korea once political conditions are favorable. He said the company fears, though, that these agreements will become "meaningless" in the event of KJI's death; that, Jang explained, is why Hyundai Asan is anxious for speedy improvement in inter-Korean relations "while Chairman Kim is still alive."

#### Pariah Banking Challenges

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¶ 15. (C) Jang noted that once Mt. Kumgang and Kaesong city tours resume, the DPRK will earn approximately USD two million per month. Jang explained that, after a "lengthy and difficult search" and having been turned down by banks in Singapore, Australia and China, Hyundai Asan and the DPRK now use a Russian bank.

Mt. Paektu: Are We There Yet?

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¶ 16. (C) In closing, Jang related that Hyundai Asan was in no hurry to begin tours to Mount Paektu, a scenic area along the Sino-Korean border. Jang said he had accompanied Chairwoman

Hyun and all of the company's key staff on a harrowing 2007 trip to the area. He recalled that, "on orders of KJI," the Hyundai Asan entourage had boarded a late-model Mercedes sedan and a posh bus and been driven aboard a cargo plane. The group had actually sat in their vehicles until the Soviet-era behemoth landed in a snowstorm on a primitive runway that had been cleared with shovels by thousands of North Korean troops. Jang joked that "the infrastructure up there" needs a lot of work.

STEPHENS